

**GREEN BUDGETING AS A NEW TOOL OF SUSTAINABLE
DEVELOPMENT AND THE PRACTICE OF ITS APPLICATION IN
UZBEKISTAN**

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ABSTRACT	KEYWORDS
In this article, the transition to a green economy in order to ensure the stability of the economy, prevention of climate change, inclusive economic growth, the use of budget and fiscal policy tools to achieve environmental goals and the transition to green budgeting practice in Uzbekistan, the advantages of green budgeting, and the issues that exist during the transition to this practice are highlighted. Given.	Economic stability, inclusive growth, renewable energy, public finance, budget policy, environmental budget, public sector entities, public budget funds, green economy, green budgeting, green bonds.

Introduction

Green budgeting involves the use of budget and fiscal policy tools to achieve environmental goals, the assessment of the impact of these policies on the environment and their compliance with national and international obligations. “Green budgeting” is an innovative approach to public finance management that combines fiscal responsibility with environmental considerations. Green budgeting is the main instrument for the transition to a green economy, and people’s well-being is proportional to environmental protection, climate change mitigation, climate change adaptation measures, and in terms of giving incentives to green innovations by public support for government spending and tax policies has been determined.

The OECD Paris Partnership on Green Budgeting, held in Paris on 12 December 2015, aimed to develop new and innovative tools to assess and develop improvements in adapting national expenditure and revenue processes to climate and other environmental objectives.

According to research by the World Bank, by 2050, climate change may force 216 million people to leave the countries where they live. According to the WHO, every year 2 billion people suffer from lack of clean drinking water and 600 million people suffer from food-related diseases, 30% of deaths of children under 5 are food-related.

The term “green budgeting” first appeared in the 1987 report of the Brundtland Commission, which stated that “Governments’ central economic and sectoral agencies should now be directly and fully responsible for ensuring that their policies, programs and budgets support development” appeared in the recommendation. After this report, experimental integration of environmental issues into public financial management took place in countries such as Norway and France, which introduced the environmental profile of the public budget in 1989. Italy was also a leader in this field, in 1999 the Italian Parliament instructed the national government to allocate all resources related to the environment in the annual budget to produce an “Environmental Budget” (ecoBilancio) alongside the draft budget. The exercise continues with the latest “environmental budget” released in 2022.

Literature Review

At the initial stage of development, there are no clearly defined definitions and methodology for the concept of green budgeting. This is a new topic for the economy of Uzbekistan, very little research has been conducted on this topic, there is no educational literature at all. As part of the implementation of the concept of socially oriented management (ESG), it is possible to say a number of works devoted to the ideas of “greening” of the financial and budget systems of the countries of the world and considered in the context of green financing of the green budget.

The first term to emerge for the area of fiscal policy aimed at achieving sustainable development goals in light of the environment and the goals of the Paris Agreement was “climate change budgeting”. It focused on reducing climate change, promoting ideas to combat greenhouse gas emissions and climate change. Subsequently, to emphasize the need to include environmental issues in the general agenda of sustainable economic growth, the UN Environment Program (UNEP), the United Nations Development Program (UNDP), the Organization for Economic Co-operation and Development (OECD), the World Bank and the International Monetary Fund (IMF) started to use terms such as green economy, green growth, green finance and green budgeting.

Research Method

Scientific observation, analysis and synthesis methods are effectively used in the article. Also, environmental impact assessment indicators of the budget and fiscal policy regarding green financing and budgeting recommended in the regulatory documents of the International Monetary Fund (IMF), World Bank (The World Bank) were used.

Analysis and Discussion of Results

Ensuring economic stability in Uzbekistan, consistently introducing green economy mechanisms in all sectors of the economy, including adaptation to climate change and natural disaster risk management in national policy, socio-economic development planning and budget processes - adaptation to climate change, The importance of green budgeting is demonstrated by the fact that a participatory approach to planning, implementation, monitoring and evaluation of disaster risk reduction and mitigation is in place.

Decision of the President of the Republic of Uzbekistan dated December 2, 2022 No. DP-436 “On measures to increase the effectiveness of reforms aimed at the transition of the Republic of Uzbekistan to a “green” economy by 2030” and many other regulatory and legal documents are aimed at the development of the green economy.

The trend of CO₂ emissions in Uzbekistan, which is one of the main factors in the management of risks that may arise during the transition to a green economy, is mentioned. Uzbekistan's annual CO₂ emissions have been growing for the last 7 years. We may face a decreasing trend in the average CO₂ emission per capita of Uzbekistan. This trend is explained by the sharp increase in population.

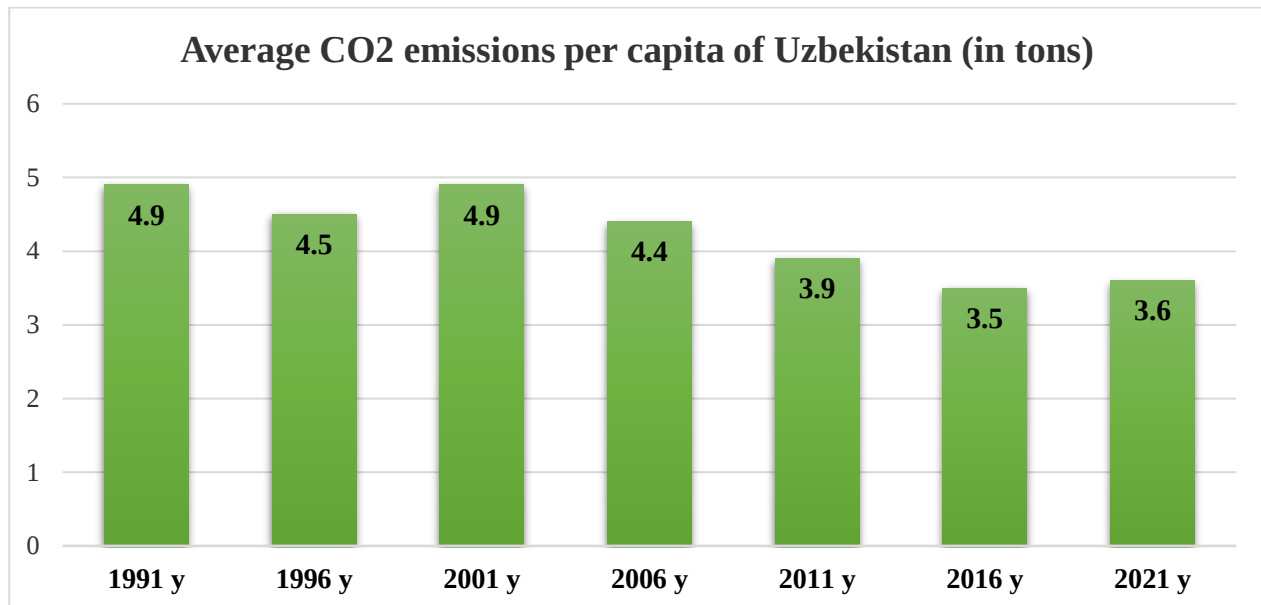


Figure 1. CO₂ emissions in Uzbekistan¹

The benefits of green budgeting are:

First, sustainable development - green budgeting allows for more efficient use of land, water and other natural resources. These organizational works are important not only for short-term perspective, but also for achieving long-term perspectives. The main idea behind having green accounting is to help realize the benefits of economic growth while meeting environmental goals.

Second, reducing the financial deficit - integrating environmental and climate information with public financial management, rational use of natural resources, taxes and fines for excess carbon will save more public resources and increase revenues. These efforts help to improve public policy and rational use of public resources.

Third, a strong environmental policy will increase the relevant information available to analyze important policy issues, leading to a strong environmental policy based on holistic and integrated information.

Fourth, growth in research and development - green accounting/budgeting helps promote a sustainable future for business as it provides detailed information on green research and development and green public procurement.

Fifth, integrated budget - green budgeting involves combining many directions of sustainable development (ecological balance, social development and economic growth) in a completely single policy, that is, in a budget document. The government attaches great importance to the targets aimed at reducing carbon emissions.

¹https://www.undp.org/sites/g/files/zskgke326/files/2024-01/cpeir_uzbekistan_2023_uzb.pdf/

Green budgeting ensures the coherence of economic, social, network and environmental policies, as well as planning instruments including financial measures and budgeting. In green budgeting, after identifying green priorities and incorporating them into strategic plans, it is crucial to assess the financing gap and prepare a green financing strategy. In order to achieve the goals of green budgeting, the sources of financing should be confirmed in strategic plans. Key financial resources for achieving green goals require systematic use of all sources of finance, including traditional loans, grants, external debt, national and international climate funds, carbon markets, green bonds, and insurance.

Countries around the world are implementing active financial policies for green budgeting. As of 2022, among the OECD countries, 19 sovereign states have issued green bonds to finance green projects in their budgets, amounting to 130 billion dollar, but sovereign green bonds still account for just 0.2 percent of all government securities.

For the first time, Uzbekistan placed green sovereign international bonds in the amount of 4.25 trillion soums on the London Stock Exchange in October 2023. It should be noted that sovereign international bonds issued in soums are the first “green” sovereign bonds of the CIS countries. Funds from green bonds are used to implement water-saving technologies, develop railway transport and underground transport, organize sanitation works and ensure cleanliness in settlements, against wind erosion and sand inundation of water resources will be used to finance green projects such as tree plantations. The United Nations Development Program (UNDP) was involved in the project selection process. “Sustainalytics” received a second-party positive opinion on the green bond program.

Taking into account the high demand for “green” bonds in the national currency of the Republic of Uzbekistan, it was possible to reduce the interest rates (coupon payment) of 3-year soum international bonds from the expected 18% to 16.25%. 1.9 trillion with this transaction due on November 23, 2023 international bonds in the amount of soums were redeemed ahead of time.

Conclusions and Suggestions

Public investment to combat climate change and achieve environmental goals is key to transitioning to a more inclusive, green and sustainable economy. At each stage of the public investment management cycle, there are key public finance management practices that help achieve green goals.

There are a number of important issues to consider in the transition to green budgeting. We will mention them below.

1. Upfront costs such as investing in renewable energy infrastructure during the transition to green budgeting can create fiscal risks. In some cases, certain costs may appear to outweigh potential benefits, leading to resistance from financial decision makers. In addition, budget reallocation may be required, which may pose challenges for budget sustainability and financial management.
2. Implementation of green budgeting requires appropriate technical experience and capacity in government agencies or organizations. Lack of knowledge or skills in environmental accounting, impact assessment methodology, or data collection can make it difficult to accurately measure and monitor environmental costs and outcomes. Inadequate capacity to effectively integrate environmental issues into budgeting processes may hinder the implementation of green budgeting initiatives.
3. Green budgeting practices require accurate and reliable data on environmental impacts, costs and outcomes.
4. The participation of stakeholders, such as civil society organizations, businesses and communities, is essential for successful green budgeting practices. However, the availability and

quality of data can be limited, especially in developing countries or sectors where environmental data collection is not common practice, where insufficient and unreliable data can undermine the effectiveness of green budgeting. which leads to erroneous decisions and inaccurate reports.

5. The transition to green budgeting involves changes in systems and organizational structures. Poor implementation planning and coordination can lead to delays, inefficiencies or budget decisions, and insufficient integration of environmental considerations.

Suggestions and Recommendations

In Uzbekistan, any approach to green budgeting should be based on the country's existing public financial management (PFM) system, thus matching the strengths and limitations of the existing budgeting process. When a country has a strong system of effective budgeting, it leads to the integration of performance goals with the country's national environmental and climate goals. In addition, if the budget expenditure review processes are well organized in the country, it is appropriate to take into account the impact of the measures on the climate goals as well as the effectiveness of the country's budget. The implementation of green budgeting at the country level requires the inclusion of the following key elements:

First, it should cover the environmental protection goals of budget funds and public sector entities.

Secondly, the methodology used to assess the compliance of the budget policy with environmental goals should be based on international standards.

Thirdly, the effectiveness of control over each sector of the state by state control bodies should be high.

Fourthly, it is necessary to ensure the transparency and accountability of this process, to properly organize public control.

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